

IRS News Release

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Honda Vehicles Certified for Clean-Fuel Vehicle Deduction

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WASHINGTON — The Internal Revenue Service has certified the model year 2005 Honda Insight, the Honda Civic Hybrid, and the Honda Accord Hybrid as being eligible for the clean-fuel vehicle deduction. This certification means that taxpayers who purchase one of these hybrid vehicles new may claim a tax deduction of up to \$2,000 on Form 1040.

Under the recently signed Working Families Relief Act of 2004, the clean-burning fuel deduction is up to \$2,000 for certified vehicles first put into service in 2004 and 2005. The deduction will be limited to \$500 for vehicles placed in service in 2006. No deduction will be allowed after 2006.

Federal Law allows individuals to claim a deduction for the incremental cost of buying a motor vehicle that is propelled by a clean-burning fuel. By combining an electric motor with a gasoline-powered engine, these hybrid vehicles obtain greater fuel efficiency and produce fewer emissions than similar vehicles powered solely by conventional gasoline-powered engines.

This one-time deduction must be taken in the year the vehicle is originally used. The taxpayer must be the original owner. Individuals do not have to itemize deductions on their tax return to claim this deduction. This benefit can be taken as an adjustment to income on the Form 1040.

The amount of the deduction for the Insight, Civic Hybrid or Accord Hybrid was set after the manufacturer, American Honda Motor Co. Inc., documented for the IRS the incremental cost related to the vehicle's electric motor and related equipment.

The IRS has previously certified the Honda Insight for model years 2000-2004 and the Honda Civic Hybrid for model years 2003 and 2004.